

House Study Bill 194 - Introduced

HOUSE FILE _____

BY (PROPOSED COMMITTEE ON
WAYS AND MEANS BILL BY
CHAIRPERSON HEIN)

A BILL FOR

1 An Act relating to Iowa's urban renewal law by modifying the
2 methodology for calculating the amount of divided revenues
3 and including effective date provisions.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 260E.4, Code 2021, is amended to read as
2 follows:

3 **260E.4 Incremental property taxes.**

4 If an agreement provides that all or part of program costs
5 are to be paid for by incremental property taxes, the board
6 of directors shall provide by resolution that taxes levied
7 on the employer's taxable business property, where new jobs
8 are created as a result of a project, each year by or for
9 the benefit of the state, city, county, school district,
10 or other taxing district after the effective date of the
11 resolution shall be divided as provided in section 403.19,
12 subsections 1 and 2, in the same manner as if the employer's
13 business property, where new jobs are created as a result of a
14 project, was taxable property in an urban renewal project and
15 the resolution was an ordinance within the meaning of those
16 subsections. The taxes received by the board of directors
17 shall be allocated to and when collected be paid into a special
18 fund of the community college and may be irrevocably pledged
19 by the community college to pay the principal of and interest
20 on the certificates issued by the community college to finance
21 or refinance, in whole or in part, the project. However,
22 with respect to any urban renewal project as to which an
23 ordinance is in effect under [section 403.19](#), the collection
24 of incremental property taxes authorized by [this chapter](#) are
25 suspended in favor of collection of incremental taxes under
26 section 403.19. As used in [this section](#), "taxes" includes, but
27 is not limited to, all levies on an ad valorem basis upon land
28 or real property of the employer's business, where new jobs
29 are created as a result of a project. The urban renewal area
30 duration limitations under section 403.18A and the limitations
31 on the duration of ordinances under section 403.19, subsection
32 3A, shall not apply to resolutions adopted under this section.

33 Sec. 2. Section 357H.9, subsection 1, Code 2021, is amended
34 by adding the following new paragraph:

35 NEW PARAGRAPH. *Of.* The urban renewal area duration

1 limitations under section 403.18A and the limitations on the
2 duration of ordinances under section 403.19, subsection 3A,
3 shall not apply to rural improvement zones established under
4 this chapter and resolutions adopted under this section.

5 **Sec. 3. NEW SECTION. 403.18A Urban renewal area and**
6 **division of revenue limitations.**

7 1. An urban renewal area in existence on the effective date
8 of this Act for which an ordinance providing for a division of
9 revenue under section 403.19 was adopted before the effective
10 date of this Act and that is not limited in duration under
11 either section 403.17, subsection 10, or section 403.22,
12 subsection 5, shall be subject to the assessed value adjustment
13 in subsection 2.

14 2. *a.* For each such urban renewal area described in
15 subsection 1, the urban renewal area, including all applicable
16 urban renewal plans, projects, and ordinances providing for
17 a division of revenue, shall continue in effect under this
18 chapter, until such time that the urban renewal area is
19 dissolved by the municipality or until the urban renewal area
20 terminates under the conditions of this section, whichever
21 occurs first. The municipality may continue to incur or issue
22 additional costs or indebtedness for such urban renewal area,
23 including loans, advances, and bonds, that qualify for payment
24 from the special fund created in section 403.19 on or after the
25 effective date of this Act and until dissolution or termination
26 of the urban renewal area.

27 *b.* Notwithstanding any provision of this chapter to the
28 contrary, for fiscal years beginning on or after July 1, 2022,
29 when calculating a division of revenue for an urban renewal
30 area described in subsection 1 for which the difference between
31 the year of the assessment roll referred to in section 403.19,
32 subsection 1, and the year of the assessment roll used to
33 calculate the total amount of property taxes in the urban
34 renewal area for the fiscal year in which the taxes are due
35 and payable, exceeds twenty years, the assessed value of the

1 taxable property in the urban renewal area used to calculate
2 the amount of taxes under section 403.19, subsection 1, shall
3 be increased by an amount equal to ten percent of the assessed
4 value of the taxable property used to calculate the total
5 amount of property taxes in the urban renewal area for the
6 fiscal year in which taxes are due and payable. Following
7 the initial adjustment under this paragraph, the assessed
8 value of the taxable property used to calculate the amount of
9 taxes under section 403.19, subsection 1, shall be further
10 increased for each subsequent fiscal year by an amount equal to
11 ten percent of the assessed value of the taxable property in
12 the urban renewal area used to calculate the total amount of
13 property taxes in the urban renewal area for the fiscal year in
14 which taxes are due and payable. The adjustments under this
15 paragraph shall continue until such time as operation of this
16 paragraph "b" would cause the assessed value of the taxable
17 property used to calculate the amount of taxes under section
18 403.19, subsection 1, to exceed the assessed value of the
19 taxable property in the urban renewal area used to calculate
20 the total amount of property taxes in the urban renewal area
21 for the fiscal year in which the taxes are due and payable,
22 or the tenth fiscal year following the fiscal year for which
23 the first adjustment is made under this paragraph, whichever
24 is earlier. At that time, the urban renewal area, including
25 all applicable urban renewal plans, projects, and ordinances
26 providing for a division of revenue, shall terminate and be of
27 no further force and effect.

28 3. The department of management shall adopt rules pursuant
29 to chapter 17A necessary to implement and administer this
30 section.

31 Sec. 4. Section 403.19, Code 2021, is amended by adding the
32 following new subsection:

33 NEW SUBSECTION. 3A. Except as provided in section 403.22,
34 an ordinance providing for a division of revenue under this
35 section that is adopted on or after the effective date of

1 this Act, including an ordinance providing for a division
2 of revenue for an economic development area under section
3 403.17, subsection 10, shall be limited to twenty years from
4 the calendar year following the calendar year in which the
5 municipality first certifies to the county auditor the amount
6 of any loans, advances, indebtedness, or bonds that qualify for
7 payment from the division of revenue provided in this section.
8 The urban renewal area, including all applicable urban renewal
9 plans, projects, and ordinances, shall terminate and be of
10 no further force and effect following the twenty-year period
11 provided in this subsection.

12 Sec. 5. EFFECTIVE DATE. This Act, being deemed of immediate
13 importance, takes effect upon enactment.

14 EXPLANATION

15 The inclusion of this explanation does not constitute agreement with
16 the explanation's substance by the members of the general assembly.

17 This bill relates to Iowa's urban renewal law by providing
18 that each urban renewal area in existence on the effective date
19 of the bill for which an ordinance providing for a division
20 of revenue (tax increment financing) was adopted before the
21 effective date of the bill, and that is not limited in duration
22 under either Code section 403.17, subsection 10 (20 years), or
23 Code section 403.22, subsection 5 (10 years), is subject to
24 the assessed value adjustment provided for in the bill. Under
25 the bill, when calculating a division of revenue for such an
26 urban renewal area for a fiscal year beginning on or after
27 July 1, 2022, and for which the difference between the year
28 of the assessment roll referred to in Code section 403.19,
29 subsection 1 (establishing a base assessed value), and the year
30 of the assessment roll used to calculate the total amount of
31 property taxes under Code section 403.19 for the fiscal year
32 in which the taxes are due and payable, exceeds 20 years, the
33 assessed value of the taxable property in the urban renewal
34 area used to calculate the amount of taxes under Code section
35 403.19, subsection 1, shall be increased by an amount equal to

1 10 percent of the assessed value used to calculate the total
2 amount of property taxes in the urban renewal area for the
3 applicable fiscal year. Following the initial adjustment, the
4 assessed value of the taxable property used to calculate the
5 amount of taxes under Code section 403.19, subsection 1, shall
6 be further increased for each subsequent fiscal year by an
7 amount equal to 10 percent of the assessed value of the taxable
8 property in the urban renewal area used to calculate the total
9 amount of property taxes for the applicable fiscal year, until
10 by operation of the bill the assessed value of the taxable
11 property used to calculate the amount of taxes under Code
12 section 403.19, subsection 1, exceeds the assessed value of the
13 taxable property in the urban renewal area used to calculate
14 the total amount of property taxes in the urban renewal area
15 for the fiscal year in which the taxes are due and payable, or
16 the 10th fiscal year following the fiscal year for which the
17 first adjustment is made under the bill, whichever is earlier,
18 at which time the urban renewal area, including all applicable
19 urban renewal plans, projects, and ordinances providing for a
20 division of revenue, shall terminate and be of no further force
21 and effect.

22 The bill provides that except for certain divisions of
23 revenue authorized for certain housing and residential
24 development under Code section 403.22, an ordinance providing
25 for a division of revenue under Code section 403.19 that is
26 adopted on or after the effective date of the bill shall be
27 limited to 20 years from the calendar year following the
28 calendar year in which the municipality first certifies to the
29 county auditor the amount of any loans, advances, indebtedness,
30 or bonds which qualify for payment from the division of revenue
31 provided in Code section 403.19. Under the bill, the urban
32 renewal area, including all applicable urban renewal plans,
33 projects, and ordinances shall terminate and be of no further
34 force and effect following the 20-year period provided in the
35 bill.

1 The bill specifies that the urban renewal duration limits
2 under new Code section 403.18A and the limitations on the
3 duration of ordinances providing for a division of revenue
4 under Code section 403.19, new subsection 3A, shall not apply
5 to divisions of taxes established by community colleges under
6 Code chapter 260E or rural improvement zones under Code chapter
7 357H.

8 The bill takes effect upon enactment.